

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

FRASER TOWNSHIP

Bay County, Michigan

FINANCIAL STATEMENTS

March 31, 2006

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60 Harrow Lane
Saginaw, Michigan 48638

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Township Board
Fraser Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fraser Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fraser Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township's Water Fund is administered as an Agency Fund of the Bay County Department of Water and Sewer. This Township fund is not included in the Township's basic financial statements as required by accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of not including the Township's business-type activities in the basic financial statements, the financial statements referred to above do not purport to present fairly, the financial position of all fund types of Fraser Township as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of not including financial information for the Water Fund, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities, each major fund, and aggregate remaining fund information of Fraser Township as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fraser Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

July 6, 2006

BASIC FINANCIAL STATEMENTS

FRASER TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2006

	<i>Governmental Activities</i>
Assets:	
Cash and cash equivalents	\$ 759,472
Receivables	264,753
Prepaid expenses	7,323
Capital assets:	
Depreciable capital assets, net	<u>225,957</u>
 Total assets	 <u>1,257,505</u>
 Liabilities:	
Accounts payable and accrued expenses	10,132
Long-term liabilities:	
Due within one year	54,458
Due in more than one year	<u>284,003</u>
 Total liabilities	 <u>348,593</u>
 Net assets:	
Invested in capital assets, net of related debt	(52,429)
Unrestricted	<u>961,341</u>
 Total net assets	 <u><u>\$ 908,912</u></u>

The accompanying notes are an integral part of these financial statements.

FRASER TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 200,530	\$ 11,842	\$ 7,280	\$ -	\$ (181,408)
Public safety	117,426	-	-	-	(117,426)
Public works	350,166	177,359	40,413	101,032	(31,362)
Health and welfare	3,375	-	-	-	(3,375)
Community and economic development	23,548	2,735	-	-	(20,813)
Recreation and culture	1,039	-	-	-	(1,039)
Interest on long-term debt	27,824	-	-	-	(27,824)
Total governmental activities	<u>723,908</u>	<u>191,936</u>	<u>47,693</u>	<u>101,032</u>	<u>(383,247)</u>
<i>General revenues:</i>					
Taxes					
Property taxes, levied for general purpose					116,832
Property taxes, levied for fire					77,139
Franchise fees					4,944
Grants and contributions not restricted to specific programs					233,257
Unrestricted investment earnings					28,131
Miscellaneous					6,486
Transfer of debt service payment to Enterprise Fund					<u>(63,511)</u>
Total general revenues and transfers					<u>403,278</u>
Change in net assets					20,031
Net assets, beginning of year, restated					<u>888,881</u>
Net assets, end of year					<u><u>\$ 908,912</u></u>

The accompanying notes are an integral part of these financial statements.

FRASER TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2006

	<i>Major Funds</i>			
	<i>General Fund</i>	<i>Fire Fund</i>	<i>Garbage Collection Fund</i>	<i>Water Assessments Fund</i>
Assets:				
Cash and cash equivalents	\$ 298,056	\$ 68,055	\$ 253,619	\$ 89,901
Taxes receivable	10,025	6,594	-	-
Accounts receivable	-	-	14,700	-
Special assessments receivable	44,587	-	-	139,059
Due from other governmental units	41,679	-	-	-
Due from other funds	60,630	-	-	-
Prepaid expenditures	7,323	-	-	-
 Total assets	<u>\$ 462,300</u>	<u>\$ 74,649</u>	<u>\$ 268,319</u>	<u>\$ 228,960</u>
 Liabilities and Fund Balances:				
<i>Liabilities:</i>				
Accounts payable and accrued expenses	\$ 3,838	\$ -	\$ -	\$ -
Due to other funds	-	-	-	60,630
Deferred revenue	43,625	-	-	134,854
 Total liabilities	<u>47,463</u>	<u>-</u>	<u>-</u>	<u>195,484</u>
 <i>Fund balances:</i>				
Reserved:				
Prepaid expenditures	7,323	-	-	-
Unreserved:				
General fund	407,514	-	-	-
Special revenue funds	-	74,649	268,319	33,476
 Total fund balances	<u>414,837</u>	<u>74,649</u>	<u>268,319</u>	<u>33,476</u>
 Total liabilities and fund balances	<u>\$ 462,300</u>	<u>\$ 74,649</u>	<u>\$ 268,319</u>	<u>\$ 228,960</u>

The accompanying notes are an integral part of these financial statements.

<i>Nonmajor Governmental Fund</i>	
<i>Fire Runs Fund</i>	<i>Total Governmental Funds</i>
\$ 49,841	\$ 759,472
-	16,619
8,109	22,809
-	183,646
-	41,679
-	60,630
-	7,323
<u>57,950</u>	<u>1,092,178</u>
\$ -	\$ 3,838
-	60,630
-	178,479
<u>-</u>	<u>242,947</u>
-	7,323
-	407,514
<u>57,950</u>	<u>434,394</u>
<u>57,950</u>	<u>849,231</u>
<u>\$ 57,950</u>	<u>\$ 1,092,178</u>

FRASER TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

Total fund balances for governmental funds \$ 849,231

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	768,933	
Less accumulated depreciation	<u>(542,976)</u>	225,957

Deferred revenues reported in the governmental funds are recognized as
revenues for the governmental activities. 178,479

Interest payable in the governmental activities are not payable from current
resources and therefore are not reported in the governmental funds. (6,294)

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Loans payable	<u>(338,461)</u>
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Net assets of governmental activities \$ 908,912

The accompanying notes are an integral part of these financial statements.

FRASER TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<i>Major Funds</i>			
	<i>General Fund</i>	<i>Fire Fund</i>	<i>Garbage Collection Fund</i>	<i>Water Assessments Funds</i>
Revenues:				
Property taxes	\$ 116,832	\$ 77,139	\$ -	\$ -
Licenses and permits	4,944	-	-	-
State grants	243,142	-	-	-
Contributions from other units	1,702	-	-	-
Charges for services	2,818	5,845	139,755	23,646
Interest and rents	25,521	1,355	6,379	5,385
Other revenue	35,263	-	-	36,106
Total revenues	<u>430,222</u>	<u>84,339</u>	<u>146,134</u>	<u>65,137</u>
Expenditures:				
Current				
General government	174,267	-	-	-
Public safety	53,981	11,331	-	-
Public works	79,461	-	147,712	2,750
Health and welfare	3,375	-	-	-
Community and economic development	21,818	-	-	-
Recreation and culture	896	-	-	-
Other	19,226	-	-	-
Capital outlay	73,327	6,256	-	42,535
Debt service				
Principal	-	46,878	-	7,422
Interest and fess	-	18,833	-	8,975
Total expenditures	<u>426,351</u>	<u>83,298</u>	<u>147,712</u>	<u>61,682</u>
Excess (deficiency) of revenues over expenditures	3,871	1,041	(1,578)	3,455
Other financing sources (uses):				
Proceeds from loan	-	-	-	60,075
Transfer of debt service payment to Enterprise Fund	-	-	-	(63,511)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,436)</u>
Net change in fund balance	3,871	1,041	(1,578)	19
Fund balances, beginning of year, restated	<u>410,966</u>	<u>73,608</u>	<u>269,897</u>	<u>33,457</u>
Fund balances, end of year	<u>\$ 414,837</u>	<u>\$ 74,649</u>	<u>\$ 268,319</u>	<u>\$ 33,476</u>

The accompanying notes are an integral part of these financial statements.

<i>Nonmajor Governmental Funds</i>	
<i>Fire Runs Fund</i>	<i>Total Governmental Funds</i>
\$ -	\$ 193,971
-	4,944
-	243,142
-	1,702
8,113	180,177
-	38,640
-	71,369
<u>8,113</u>	<u>733,945</u>
-	174,267
3,115	68,427
-	229,923
-	3,375
-	21,818
-	896
-	19,226
-	122,118
-	54,300
-	27,808
<u>3,115</u>	<u>722,158</u>
<u>4,998</u>	<u>11,787</u>
-	60,075
-	<u>(63,511)</u>
-	<u>(3,436)</u>
4,998	8,351
<u>52,952</u>	<u>840,880</u>
<u>\$ 57,950</u>	<u>\$ 849,231</u>

FRASER TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2006

Net change in fund balances - total governmental funds	\$ 8,351
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,679	
Less depreciation expense	<u>(52,291)</u>	(48,612)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.	73,505
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Proceeds from loans are other financing sources in governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	(60,075)
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Repayments of principal on contracts and loans are expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	46,878
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on loans	<u>(16)</u>
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Change in net assets of governmental activities	<u>\$ 20,031</u>
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The accompanying notes are an integral part of these financial statements.

FRASER TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2006

	<i>Agency Fund</i>
Assets:	
Cash and cash equivalents	\$ 75,005
Liabilities:	
Due to other governmental units	75,005
Total liabilities	75,005
Net Assets:	
Unrestricted	\$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Fraser Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township, except as discussed below, and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

The basic financial statements do not include the Township's Water Fund as required by accounting principles generally accepted in the United States of America.

Joint Ventures – Water System:

Bay County Department of Water and Sewer: The Township is a participant in the Bay County Department of Water and Sewer (DWS). The DWS operates various water lines for the Township as well as approximately 12 other governmental units in Bay County. The various water and sewer lines at the county are constructed and financed under varying scenarios. Certain debts issued by the DWS are general obligations of Bay County; however, the DWS participants are primarily responsible for most of the DWS debt issues.

The DWS participants, including Fraser Township, have sole authority to set rates and are financially responsible for the integrity of their water and sewer systems operated by the Bay County DWS. The DWS only acts in a fiduciary capacity for the participants. The ownership of the water and sewer system capital assets and related debts resides with the local governmental units.

Financial Statements: The Township's Water Fund that is handled as an Agency Fund by the Bay County DWS is not included in these financial statements. Separate financial statements for this fund are available from Bay County Department of Water and Sewer, 3933 Patterson Road, Bay City, Michigan, 48706.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts (1) invested in capital assets, net of related debt and (2) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Fire Fund** is used to account for a tax levy for the purpose of providing fire protection.

The **Garbage Collection Fund** is used to account for a special assessment levy for the purpose of providing garbage and rubbish collection.

The **Water Assessments Fund** is used to account for special assessment levies for the purpose of constructing various water lines.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	10-50 years
Equipment	5-10 years
Infrastructure	25 years
Site improvements	10 years

Compensated Absences – It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, no liability is recorded in the government-wide financial statements.

Long-term Obligations – In the government-wide financial statements, long-term debt are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes:

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with a final collection date of February 28 before they are added to the County tax rolls.

The 2005 taxable valuation of the Township's real and personal property totaled \$78,652,654, on which ad valorem taxes levied consisted of 1.1671 mills for the Township's operating purposes and .9886 mills for an extra voted millage for fire.

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget by fund for each year is submitted to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$768,533 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$289,902 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2006.

NOTE 4: CAPITAL ASSETS

Governmental activities capital asset activity for the year ended March 31, 2006 was as follows:

	<i>April 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2006</i>
Governmental activities:				
Depreciable capital assets:				
Building	\$ 753,200	\$ -	\$ -	\$ 753,200
Equipment	10,629	3,679	-	14,308
Site improvements	<u>1,425</u>	<u>-</u>	<u>-</u>	<u>1,425</u>
Total depreciable capital assets	765,254	3,679	-	768,933
Accumulated depreciation	<u>(490,685)</u>	<u>(52,291)</u>	<u>-</u>	<u>(542,976)</u>
Depreciable capital assets, net	<u>274,569</u>	<u>(48,612)</u>	<u>-</u>	<u>225,957</u>
Governmental activities, capital assets, net	<u>\$ 274,569</u>	<u>\$ (48,612)</u>	<u>\$ -</u>	<u>\$ 225,957</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 5,726
Public safety	46,422
Recreation and culture	<u>143</u>
Total governmental activities	<u>\$ 52,291</u>

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 178,479	\$ -

NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, loans, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<u>Governmental Activities</u>					
<i>Loans Payable:</i>					
Fire Station	11/22/05-11/22/10	5.79%	\$46,878-62,114	\$ 488,485	\$ 278,386
Kaiser Tower Road Water Line	12/1/06-12/1/15	4.60%	\$4,866-7,294	\$ 60,075	\$ 60,075

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2006</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Loans Payable:</i>					
Fire Station	\$ 325,264	\$ -	\$ (46,878)	\$ 278,386	\$ 49,592
Kaiser Tower Road Water Line	-	60,075	-	60,075	4,866
Total governmental activities					
- long-term liabilities	<u>\$ 325,264</u>	<u>\$ 60,075</u>	<u>\$ (46,878)</u>	<u>\$ 338,461</u>	<u>\$ 54,458</u>

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Annual debt service requirements to maturity for the above bonds and loans are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 54,458	\$ 18,883	\$ 73,341
2008	57,554	15,787	73,341
2009	60,825	12,516	73,341
2010	64,284	9,057	73,341
2011	67,939	5,402	73,341
2012-2016	<u>33,401</u>	<u>4,749</u>	<u>38,150</u>
	<u>\$ 338,461</u>	<u>\$ 66,394</u>	<u>\$ 404,855</u>

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	<i>Governmental Activities</i>
Receivables:	
Property taxes	\$ 16,619
Accounts	22,809
Special assessments	183,646
Intergovernmental	<u>41,679</u>
Total receivables	<u>\$ 264,753</u>
Accounts payable and accrued expenses:	
Accounts	\$ 3,838
Accrued interest	<u>6,294</u>
Total accounts payable and accrued expenses	<u>\$ 10,132</u>

NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances reported in the fund statements were as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Water Assessments Fund	<u>\$ 60,630</u>

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Management anticipates the interfund balance to remain outstanding for periods in excess of one year. The balance resulted from a loan that the General Fund made to the Water Assessments Fund when construction of an additional water line took place. The Water Assessments Fund is repaying the loan with special assessment collections each year.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Water Assessments Fund	Enterprise Fund (at Bay County DWS)	\$ 63,511

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for significant losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

Plan Description – The Township has a defined contribution pension plan covering each trustee, supervisor, clerk and treasurer. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

Insurer – John Hancock Company.

Contributions – Employer contributions for each participant will be 20% of base wages.

Plan Activity – During the year ended March 31, 2006, the Township contributed \$10,951 to the plan.

Post Employment Benefits and Deferred Compensation Plan:

The Township offers no post employment benefits to its retirees and no deferred compensation plan.

FRASER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 11: PRIOR PERIOD ADJUSTMENT

Corrections to Fund Financial Statements:

State shared revenue of \$36,139 received May 4, 2005, should have been recorded as a March 31, 2005 receivable. The capital assets and long-term debt reported in the Proprietary Fund financial statements at March 31, 2005 is already being accounted for as part of the Fraser Township Water Enterprise Fund, which is an Agency Fund, of the Bay County Department of Water and Sewer, which is audited by other auditors. The recording of the remaining activity of this fund should be accounted for as a Governmental Fund type rather than a Proprietary Fund type.

The effect on beginning fund balances of the Governmental Funds is as follows:

Fund balances of governmental funds, previously stated, as of 3/31/05	\$ 771,284
Add: State shared revenue for sales tax that should have accrued to prior year	36,139
Add: Net assets of proprietary fund, previously stated, as of 3/31/05	320,079
Less: Water capital assets, net of depreciation	(1,311,254)
Add: Water long-term debt	<u>1,024,632</u>
Fund balance, restated, as of 3/31/05	<u>\$ 840,880</u>

Corrections to Basic Financial Statements

The capital assets and long-term debt reported in the Business-type Activities on the Statement of Net Assets at March 31, 2005 is already being accounted for as part of the Fraser Township Water Enterprise Fund, which is an Agency Fund, of the Bay County Department of Water and Sewer, which is audited by other auditors. The recording of the remaining activity of this fund should be accounted for as Governmental Activities rather than Business-type Activities. Deferred revenue of \$104,974 related to special assessments should have been recognized as revenue as revenues. Interest of \$6,278 on long-term debt should have been accrued at March 31, 2005.

The effect on beginning net assets of the Governmental Activities is as follows:

Net assets of Governmental Activities, previously stated, as of 3/31/05	\$ 720,589
Add: Cumulative corrections to 3/31/05 fund balances of Governmental Funds	69,596
Less: Accrued interest payable on fire station loan	(6,278)
Add: Deferred revenue from special assessments	<u>104,974</u>
Net assets, restated, as of 3/31/05	<u>\$ 888,881</u>

REQUIRED SUPPLEMENTAL INFORMATION

FRASER TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 107,000	\$ 107,000	\$ 116,832	\$ 9,832
Licenses and permits	5,000	5,000	4,944	(56)
State grants	208,300	208,300	243,142	34,842
Contributions from other units	-	-	1,702	1,702
Charges for services	1,000	1,000	2,818	1,818
Interest and rents	11,000	11,000	25,521	14,521
Other revenue	1,000	1,000	35,263	34,263
Total revenues	<u>333,300</u>	<u>333,300</u>	<u>430,222</u>	<u>96,922</u>
Expenditures:				
Current				
General government	175,745	175,745	174,267	(1,478)
Public safety	60,500	60,500	53,981	(6,519)
Public works	103,463	103,463	79,461	(24,002)
Health and welfare	3,500	3,500	3,375	(125)
Community and economic development	22,292	22,292	21,818	(474)
Recreation and culture	1,800	1,800	896	(904)
Other	21,000	21,000	19,226	(1,774)
Capital outlay	<u>20,000</u>	<u>88,000</u>	<u>73,327</u>	<u>(14,673)</u>
Total expenditures	<u>408,300</u>	<u>476,300</u>	<u>426,351</u>	<u>(49,949)</u>
Net change in fund balance	(75,000)	(143,000)	3,871	146,871
Fund balance, beginning of year, restated	<u>410,966</u>	<u>410,966</u>	<u>410,966</u>	<u>-</u>
Fund balance, end of year	<u>\$ 335,966</u>	<u>\$ 267,966</u>	<u>\$ 414,837</u>	<u>\$ 146,871</u>

FRASER TOWNSHIP

SPECIAL REVENUE FUND – FIRE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under) Final Budget</i>
Revenues:				
Property taxes	\$ 70,000	\$ 70,000	\$ 77,139	\$ 7,139
Charges for services	3,000	3,000	5,845	2,845
Interest and rents	300	300	1,355	1,055
Total revenues	<u>73,300</u>	<u>73,300</u>	<u>84,339</u>	<u>11,039</u>
Expenditures:				
Current				
Public safety	10,300	11,600	11,331	(269)
Capital outlay	1,000	6,700	6,256	(444)
Debt service				
Principal	47,000	47,000	46,878	(122)
Interest and fees	<u>19,000</u>	<u>19,000</u>	<u>18,833</u>	<u>(167)</u>
Total expenditures	<u>77,300</u>	<u>84,300</u>	<u>83,298</u>	<u>(1,002)</u>
Net change in fund balance	(4,000)	(11,000)	1,041	12,041
Fund balance, beginning of year	<u>73,608</u>	<u>73,608</u>	<u>73,608</u>	<u>-</u>
Fund balance, end of year	<u>\$ 69,608</u>	<u>\$ 62,608</u>	<u>\$ 74,649</u>	<u>\$ 12,041</u>

FRASER TOWNSHIP

SPECIAL REVENUE FUND – GARBAGE COLLECTION FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Charges for services	\$ 140,000	\$ 140,000	\$ 139,755	\$ (245)
Interest and rents	<u>500</u>	<u>500</u>	<u>6,379</u>	<u>5,879</u>
Total revenues	<u>140,500</u>	<u>140,500</u>	<u>146,134</u>	<u>5,634</u>
Expenditures:				
Current				
Public works	<u>150,000</u>	<u>150,000</u>	<u>147,712</u>	<u>(2,288)</u>
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>147,712</u>	<u>(2,288)</u>
Net change in fund balance	(9,500)	(9,500)	(1,578)	7,922
Fund balance, beginning of year	<u>269,897</u>	<u>269,897</u>	<u>269,897</u>	<u>-</u>
Fund balance, end of year	<u>\$ 260,397</u>	<u>\$ 260,397</u>	<u>\$ 268,319</u>	<u>\$ 7,922</u>

FRASER TOWNSHIP

SPECIAL REVENUE FUND – WATER ASSESSMENTS FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Charges for services	\$ 15,000	\$ 15,000	\$ 23,646	\$ 8,646
Interest and rents	25	5,025	5,385	360
Other revenue	31,000	31,000	36,106	5,106
Total revenues	46,025	51,025	65,137	14,112
Expenditures:				
Current				
Public works	2,750	2,750	2,750	-
Capital outlay	42,500	42,535	42,535	
Debt service				-
Principal	17,100	16,390	7,422	(8,968)
Interest and fees	8,300	8,975	8,975	-
Total expenditures	70,650	70,650	61,682	(8,968)
Excess (deficiency) of revenues over expenditures	(24,625)	(19,625)	3,455	23,080
Other financing sources (uses):				
Proceeds from loan	-	60,075	60,075	-
Transfer of debt service payment to Enterprise Fund	(79,000)	(63,511)	(63,511)	-
Total other financing sources (uses)	(79,000)	(3,436)	(3,436)	-
Net change in fund balance	(103,625)	(23,061)	19	23,080
Fund balance, beginning of year, restated	33,457	33,457	33,457	-
Fund balance, end of year	\$ (70,168)	\$ 10,396	\$ 33,476	\$ 23,080

OTHER SUPPLEMENTAL INFORMATION

FRASER TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

Current taxes:

Property taxes	\$ 90,900
Administration fees	25,932
	<u>116,832</u>

Licenses and permits:

CATV franchise fees	4,944
	<u>4,944</u>

State grants:

Summer tax collection reimbursement	5,578
State revenue sharing - sales tax	233,257
Other	4,307
	<u>243,142</u>

Contributions from other units:

Other	1,702
	<u>1,702</u>

Charges for services:

Copies	83
Zoning/Land division/Variance fees	2,735
	<u>2,818</u>

Interest and rents:

Interest	15,012
Rents	10,509
	<u>25,521</u>

Other revenue:

Special assessments	27,527
Cemetery lots/perpetual care	1,250
Other	6,486
	<u>35,263</u>

Total revenues	<u>\$ 430,222</u>
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FRASER TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

General Government:

Board:

Personnel	\$ 4,896
Mileage	338
	<u>5,234</u>

Supervisor:

Personnel	16,620
Mileage	1,298
	<u>17,918</u>

Clerk:

Personnel	17,504
Supplies	26
Contracted services	20
Mileage	347
	<u>17,897</u>

Audit:

Contracted services	2,800
	<u>2,800</u>

Board of Review:

Personnel	770
Printing and publications	137
	<u>907</u>

Treasurer:

Personnel	17,706
Mileage	606
	<u>18,312</u>

Assessor:

Personnel	21,981
Contracted services	700
Education and training	35
Printing and publications	112
Mileage	57
	<u>22,885</u>

Elections:

Personnel	1,427
Supplies	455
Printing and publications	53
	<u>1,935</u>

FRASER TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

General Government, continued:

Building and Grounds:

Personnel	\$ 10,209
Supplies	4,332
Contracted services	3,435
Telephone	2,264
Insurance	8,286
Utilities	13,122
Repairs and maintenance	4,654
Other	463
	<u>46,765</u>

Attorney:

Contracted services	<u>3,402</u>
	<u>3,402</u>

Cemetery:

Contracted services	<u>2,010</u>
	<u>2,010</u>

Other:

Personnel	650
Supplies	2,695
Contracted services	2,500
Education and training	7,821
Printing and publications	1,205
Other	19,331
	<u>34,202</u>

Total general government	<u>174,267</u>
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Public Safety:

Fire:

Contracted services	<u>53,955</u>
	<u>53,955</u>

Building Inspection Department:

Telephone	<u>26</u>
	<u>26</u>

Total public safety	<u>53,981</u>
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FRASER TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Public Works:

Drains - Public Benefit:

Contracted services	\$ 4,499
	<u>4,499</u>

Roads:

Contracted services	68,426
Other	11
	<u>68,437</u>

Street Lighting:

Utilities	6,525
	<u>6,525</u>

Total public works	<u>79,461</u>
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Health and Welfare:

Ambulance:

Contracted services	3,375
	<u>3,375</u>

Total health and welfare	<u>3,375</u>
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Community and Economic Development:

Planning:

Personnel	1,665
Supplies	60
Contracted services	13,315
Mileage	68
Education and training	385
Printing and publications	222
	<u>15,715</u>

Zoning:

Personnel	5,647
Supplies	157
Telephone	282
Mileage	17
	<u>6,103</u>

Total community and economic development	<u>21,818</u>
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Recreation and Culture:

Parks Department:

Contracted services	896
	<u>896</u>

Total recreation and culture	<u>896</u>
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FRASER TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Other:

Retirement	\$ 11,704
Payroll taxes	<u>7,522</u>
	<u>19,226</u>

Total other	<u>19,226</u>
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Capital outlay:

General government	3,041
Public works	<u>70,286</u>
	<u>73,327</u>

Total capital outlay	<u>73,327</u>
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Total expenditures	<u><u>\$ 426,351</u></u>
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FRASER TOWNSHIP

FIDUCIARY FUND – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2006

Property Tax Collection Fund

	<u><i>April 1, 2005</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>March 31, 2006</i></u>
Assets:				
Cash and cash equivalents	<u>\$ 15,986</u>	<u>\$ 2,441,766</u>	<u>\$ 2,382,747</u>	<u>\$ 75,005</u>
Liabilities:				
<i>Current:</i>				
Accounts payable	\$ 2,760	\$ 368,892	\$ 371,652	\$ -
Due to other governmental units	<u>13,226</u>	<u>2,072,874</u>	<u>2,011,095</u>	<u>75,005</u>
Total liabilities	<u>\$ 15,986</u>	<u>\$ 2,441,766</u>	<u>\$ 2,382,747</u>	<u>\$ 75,005</u>

FRASER TOWNSHIP

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS
March 31, 2006

Fire Station Loan

Issue dated November 22, 2000 in the amount of	\$	488,485
Less:		
Principal paid in prior years		(163,221)
Principal paid in current year		<u>(46,878)</u>
Balance payable at March 31, 2006	\$	<u>278,386</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>November 22,</u></i>	<i><u>Interest due</u></i> <i><u>November 22,</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2007	5.79%	\$ 49,592	\$ 16,119	\$ 65,711
2008	5.79%	52,464	13,247	65,711
2009	5.79%	55,501	10,210	65,711
2010	5.79%	58,715	6,996	65,711
2011	5.79%	<u>62,114</u>	<u>3,597</u>	<u>65,711</u>
		<u>\$ 278,386</u>	<u>\$ 50,169</u>	<u>\$ 328,555</u>

FRASER TOWNSHIP

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2006

Kaiser Tower Road Water Line Project

Issue dated November 30, 2005 in the amount of \$ 60,075

Less: Principal paid in prior years -
 Principal paid in current year -

Balance payable at March 31, 2006 \$ 60,075

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>December 1,</u></i>	<i><u>Interest due</u></i> <i><u>December 1,</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2007	4.60%	\$ 4,866	\$ 2,764	\$ 7,630
2008	4.60%	5,090	2,540	7,630
2009	4.60%	5,324	2,306	7,630
2010	4.60%	5,569	2,061	7,630
2011	4.60%	5,825	1,805	7,630
2012	4.60%	6,093	1,537	7,630
2013	4.60%	6,374	1,256	7,630
2014	4.60%	6,667	963	7,630
2015	4.60%	6,973	657	7,630
2016	4.60%	<u>7,294</u>	<u>336</u>	<u>7,630</u>
		<u>\$ 60,075</u>	<u>\$ 16,225</u>	<u>\$ 76,300</u>



July 6, 2006

To The Township Board
Fraser Township

We have audited the financial statements of Fraser Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Fraser Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fraser Township are described in Note 1 to the financial statements. We noted no transactions entered into by Fraser Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated July 6, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants